FISCAL NOTE

HB 181 – SB 199

February 16, 2007

SUMMARY OF BILL: Authorizes sales tax deductions equal to 2.0% of the first $2,500 for each taxpayer report, plus 1.15% of any amount over $2,500 for each report, up to a maximum of $50 per report, as compensation to dealers for their cost of accounting and remitting sales tax to the Department of Revenue. Requires any excess amount above the $50 threshold be retained by the General Fund.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – $24,500,000
Increase State Expenditures - $100,000 One-Time

Decrease Local Govt. Revenues - $4,000,000

Assumptions:

- According to the Department of Revenue (DOR), and based upon FY05-06 sales tax returns data, approximately 1.05 million taxpayers would qualify for vendors compensation filed by in-state dealers.
- According to DOR, and based upon the 1.05 million eligible taxpayers, total vendor's compensation would be approximately $28,500,000 per year.
- The DOR estimates that approximately $24,500,000 of the $28,500,000 would have been apportioned to the state's General Fund and the remaining $4,000,000 would have been allocated to local governments.
- Some dealers currently registered as out-of-state dealers could adjust their tax status to become in-state dealers in the future. This could increase the amount of vendor's compensation in future years.
- One-time increase in state expenditures for software modifications and computer programming changes is estimated at $100,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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